N.C. Economic Stimulus and Job Creation Act
House Bill 1734
Recommendations of the North Carolina Economic Development Board Recruitment and Retention Committee

ENACT A JOB DEVELOPMENT INVESTMENT GRANT PROGRAM
A powerful, targeted new tool that North Carolina can use to compete more effectively for new and expanding business with states that offer more aggressive incentive packages; available for both urban and rural projects.

- Modeled on a highly successful program in South Carolina that has been used aggressively to compete for North Carolina industrial projects.
- A committee, made up of the Secretaries of Revenue and Commerce and the State Budget Director, would be authorized to award **job development grants** to strategically important businesses and industrial projects. Would report periodically to General Assembly.
- Grants would be negotiated and awarded only for jobs and investment that would not otherwise be established or locate in the state. As is done in other states, grants would be **funded over a period of years from a portion of employee withholding taxes for the new jobs** at the new or expanded facility.
- Program is essentially **self-funding** from new revenue to the state.
- Only projects whose benefits exceed their costs to the state would be eligible.
- A portion of the eligible grant amount (25%) in more developed counties would be used to fund the Utility Account of the Industrial Development Fund, a rural infrastructure fund.

SCALE BACK THE WILLIAM S. LEE ACT TO REDEPLOY SOME OF THE RESOURCES USED BY THE ACT AND TO REDUCE ITS COST
Several changes to the Lee Act are proposed to better target the incentive effect of the Act and provide a source of funding to support other economic development tools.

1. Alter Rates and Increase Threshold for Machinery & Equipment Tax Credits
- Taxpayers are currently eligible for Lee Act tax credits of 7% of the value of new investments in machinery and equipment above certain threshold amounts.
- Currently, the majority of credit is claimed in higher tier counties.
- These changes enhance the relative incentive value of the machinery and equipment credit in the poorer counties.
- Projected to reduce program costs by $36 million by 2006 ($3.6 million in FY 03-04)

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